

**First Nations Oweesta Corporation**

**Financial Statements and Supplementary Information**

**June 30, 2018 and 2017**

**(With Independent Auditor's Report Thereon)**

*Kundinger, Corder & Engle, P.C.*

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*Certified Public Accountants*

# First Nations Oweesta Corporation

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**Independent Auditor's Report**

**Board of Directors  
First Nations Oweesta Corporation:**

We have audited the accompanying financial statements of First Nations Oweesta Corporation (the "Organization"), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Board of Directors  
First Nations Oweesta Corporation**

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of First Nations Oweesta Corporation as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information in the accompanying schedules of functional expenses on pages 20-21 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Keundinger, Cochrane & Congle, P.C.*

December 18, 2018

**First Nations Oweesta Corporation**  
**Statements of Financial Position**  
**June 30, 2018 and 2017**

	2018	2017
<b>Assets:</b>		
Current assets:		
Cash and cash equivalents	\$ 3,892,211	2,101,488
Short-term investments (note 4)	164,390	225,028
Grants receivable (note 2)	-	26,990
Current notes receivable, net of allowance of \$60,650 and \$64,650, respectively (note 3)	1,152,350	828,350
Government grants receivable (note 10)	66,973	26,877
Other current receivables, net of allowance of \$10,000	94,756	77,887
Prepaid expenses	19,766	22,164
Total current assets	<u>5,390,446</u>	<u>3,308,784</u>
Property and equipment, net (note 6)	<u>15,751</u>	<u>21,151</u>
Other assets:		
Long-term notes receivable, net of allowance of \$200,500 and \$173,000, respectively (note 3)	3,809,500	3,687,000
Long-term government grants receivable (note 10)	771,333	475,700
Investments (note 4)	1,465,671	538,118
Total other assets	<u>6,046,504</u>	<u>4,700,818</u>
Total assets	<u>\$ 11,452,701</u>	<u>8,030,753</u>
<b>Liabilities and Net Assets:</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 167,878	80,130
Due to affiliate (note 12)	7,856	3,030
Deferred revenue	4,000	4,000
Refundable advance	1,000,000	-
Current maturities of long-term debt (note 7)	350,000	1,166,480
Total current liabilities	<u>1,529,734</u>	<u>1,253,640</u>
Noncurrent liabilities:		
Long-term debt, net of current maturities (note 7)	4,893,480	2,495,000
Total liabilities	<u>6,423,214</u>	<u>3,748,640</u>
Net assets:		
Unrestricted	3,961,936	3,371,811
Temporarily restricted (note 8)	1,067,551	910,302
Total net assets	<u>5,029,487</u>	<u>4,282,113</u>
Commitments and contingencies (notes 7, 9, and 10)		
Total liabilities and net assets	<u>\$ 11,452,701</u>	<u>8,030,753</u>

See accompanying notes to financial statements.

**First Nations Oweesta Corporation**  
**Statements of Activities**  
**Years Ended June 30, 2018 and 2017**

	June 30, 2018		June 30, 2017	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
<b>Revenue, Gains and Support:</b>				
Public support:				
Grants	\$ 105,000	467,500	100,008	110,990
Government grants	673,586	717,166	1,232,903	250,000
Contributions	43,218	-	-	-
Total public support	<u>821,804</u>	<u>1,184,666</u>	<u>1,332,911</u>	<u>360,990</u>
Other revenue:				
Program service fees	322,410	-	234,501	-
Interest income on notes receivable	168,930	-	136,752	-
Investment income	24,764	-	21,770	-
Other income	34,245	-	32,868	-
Total other revenue	<u>550,349</u>	<u>-</u>	<u>425,891</u>	<u>-</u>
Net assets released from restrictions (note 9)	1,027,417	(1,027,417)	497,080	(497,080)
Total revenue, gains and support	<u>2,399,570</u>	<u>157,249</u>	<u>2,255,882</u>	<u>(136,090)</u>
<b>Expenses:</b>				
Program services:				
Institutional development	1,349,434	-	1,245,537	-
Lending and other	202,371	-	217,137	-
Total program services	<u>1,551,805</u>	<u>-</u>	<u>1,462,674</u>	<u>-</u>
Supporting services:				
Administration	236,679	-	213,807	-
Development	20,961	-	15,004	-
Total supporting services	<u>257,640</u>	<u>-</u>	<u>228,811</u>	<u>-</u>
Total expenses	<u>1,809,445</u>	<u>-</u>	<u>1,691,485</u>	<u>-</u>
<b>Change in net assets</b>	<u>590,125</u>	<u>157,249</u>	<u>564,397</u>	<u>(136,090)</u>
Net assets at beginning of year	3,371,811	910,302	2,807,414	1,046,392
<b>Net assets at end of year</b>	<u>\$ 3,961,936</u>	<u>1,067,551</u>	<u>3,371,811</u>	<u>910,302</u>

See accompanying notes to financial statements.

**First Nations Oweesta Corporation**  
**Statements of Cash Flows**  
**Years Ended June 30, 2018 and 2017**

	2018	2017
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 747,374	428,307
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	5,400	5,483
Net realized and unrealized gain on investments	(4,906)	(8,578)
Provision for loan losses	23,500	45,250
Decrease (increase) in operating assets:		
Grants receivable	26,990	(26,990)
Government grants receivable	(335,729)	(117,300)
Other receivables	(16,869)	(31,126)
Prepaid expenses and other assets	2,398	(9,367)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	87,748	(26,678)
Deferred revenue	-	(4,000)
Refundable advance	1,000,000	-
Due to affiliate	4,826	(4,329)
Net cash provided by operating activities	1,540,732	250,672
<b>Cash flows from investing activities:</b>		
Net purchases of investments	(862,009)	(12,693)
Disbursements related to notes receivable	(1,320,000)	(905,000)
Collections of notes receivable	850,000	-
Net cash used in investing activities	(1,332,009)	(917,693)
<b>Cash flows from financing activities:</b>		
Proceeds from debt	2,748,480	435,000
Payments on debt	(1,166,480)	(670,000)
Net cash provided by (used in) financing activities	1,582,000	(235,000)
<b>Net increase (decrease) in cash and cash equivalents</b>	1,790,723	(902,021)
Cash and cash equivalents at beginning of year	2,101,488	3,003,509
<b>Cash and cash equivalents at end of year</b>	\$ 3,892,211	2,101,488
Supplemental cash flow information:		
Cash paid during the year for interest	\$ 73,163	94,311

See accompanying notes to financial statements.

# First Nations Oweesta Corporation

## Notes to Financial Statements

Years Ended June 30, 2018 and 2017

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### Note 1 - Organization and Summary of Significant Accounting Policies

#### Organization

First Nations Oweesta Corporation (the "Organization") enhances the capacity of Native tribes, communities and peoples to access, control, create, leverage, utilize, and retain financial assets and to provide appropriate financial capital for Native development efforts. The Organization has been certified as a Community Development Financial Institution ("CDFI") by the United States Department of the Treasury.

The Organization was incorporated December 23, 1999. It is considered a wholly-owned subsidiary of First Nations Development Institute ("First Nations") because its Board of Directors is controlled by First Nations. These financial statements reflect only the activity of First Nations Oweesta Corporation and do not include any activity of its parent organization.

#### Summary of Program Activities

*Institutional Capacity Building* - The primary goal of the Organization is to help create, develop, expand, and strengthen Native CDFIs. Activities in this area reflect the provision of regional and local CDFI workshops, participation and attendance at other industry conferences, participation on the CDFI Coalition, and follow-up outreach, technical assistance and training to tribes who have expressed an interest in or are in the process of forming a CDFI.

*Lending* – The other primary, and critical goal, is to provide qualified Native CDFIs with loan capital. The main objective is to provide initial start-up capital or to leverage additional loan capital for new or expanding community-based financial institutions serving Native communities. Activities in this area reflect technical assistance to potential and existing loan recipients, performance of due diligence on loan applications, and monitoring of the loan portfolio.

Other program activities include the following:

*Financial Education and Asset Building* - In addition to its work with Native CDFIs, the Organization also strives to enhance, through training, technical assistance and development of educational materials, the capacity of tribes, Native organizations, and individuals to better manage their financial assets. Activities in this area reflect the provision of instructor training workshops and follow-up technical assistance in asset building strategies and programs, participation in the Native Financial Education Coalition and its activities and the development and distribution of new educational resources.



# First Nations Oweesta Corporation

## Notes to Financial Statements

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### Note 1 - Organization and Summary of Significant Accounting Policies, Continued

*Advocacy, Policy, and Research* - The Organization collaborates on research studies that focus on identifying and mitigating barriers to Native control of and access to financial assets. The Organization's national voice works to create and retain the integrity of policy favorable to building assets in Native communities.

*Public Education* - Through the use of print, electronic, and personal contact methods, the public education program develops and implements strategies to increase public awareness about the Organization and the current challenges facing community development financial institutions in rural and reservation-based Native American communities. The public education program leverages this awareness to increase support and provide information to educate the public on Native Community Development Financial Institutions for the benefit of native peoples throughout the nation.

#### Basis of Accounting

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting, and accordingly reflect all significant receivables, payables, and other liabilities.

#### Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted amounts are those currently available at the discretion of the Boards of Directors for use in the Organization's operations and those amounts invested in property and equipment.

Temporarily restricted amounts are monies restricted by donors specifically for certain time periods, purposes, or programs.

Permanently restricted amounts are assets that must be maintained permanently by the Organization as required by the donor; however, the Organization is permitted to use or expend part or all of any income derived from those assets. The Organization had no permanently restricted net assets as of June 30, 2018 and 2017.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

# First Nations Oweesta Corporation

## Notes to Financial Statements

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### Note 1 - Organization and Summary of Significant Accounting Policies, Continued

#### Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to credit risk include cash and cash equivalents, investments, notes receivable, and grants receivable. The Organization places its cash and money market accounts with creditworthy, high-quality financial institutions.

The Organization provides financing to Native Tribal Governments and not-for-profit organizations. Concentrations of credit risk with respect to loans receivable is limited due to the Organization's loan policies which set a maximum loan size and also limit the total amount loaned to a borrower. Credit risk with respect to grants receivable is limited due to the number and credit worthiness of the organizations from whom the amounts are due.

Also, a significant amount of the Organization's revenue is from the federal government. Should a significant reduction in the level of this funding occur, it could affect the Organization's programs and activities.

#### Cash and Cash Equivalents

The Organization considers all highly liquid instruments with original maturities of three months or less to be cash equivalents. The Organization continually monitors its positions with, and the credit quality of, the financial institutions with which it invests. Throughout the year, the Organization held balances of cash and cash equivalents in excess of the federally insured limit.

#### Investments and Investment Returns

The Organization reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values with unrealized gains and losses included in the statements of activities and changes in net assets. Investment return includes dividends, interest and other investment income, and realized and unrealized gains and losses on investments carried at fair value. Investment income and gains restricted by a donor are reported as increases in temporarily restricted net assets.

#### Fair Value Measurements

The Organization follows the requirements of the *Fair Value Measurements* standard of accounting, which among other things requires enhanced disclosures about investments that are measured and reported at fair value. The standard requires the use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs from the asset or liability (Level 3).

# First Nations Oweesta Corporation

## Notes to Financial Statements

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### Note 1 - Organization and Summary of Significant Accounting Policies, Continued

#### Receivables

Receivables relate to amounts due from customers for fees for program services provided. An allowance for uncollectible receivables is provided based upon prior years' experience and management's analysis of specific balances. The allowance for doubtful accounts of other receivables totaled \$10,000 for each year ending June 30, 2018 and 2017.

#### Property and Equipment

Property and equipment purchased by the Organization are recorded at cost. Donated fixed assets are capitalized at fair value at the date of donation. The Organization capitalizes property and equipment in excess of \$2,000. Depreciation and amortization is provided on the straight-line method based upon the estimated useful lives of the assets, which range from three to five years.

#### Income Tax Status

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as a public charity pursuant to Section 509(a)(2). Accordingly, contributions are deductible to the extent allowed by law.

The Organization applies a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions. After evaluating the tax positions taken, none are considered to be uncertain; therefore, no amounts have been recognized as of June 30, 2018 and 2017.

If incurred, interest and penalties associated with tax positions are recorded in the period assessed as general and administrative expense. No interest and penalties have been assessed as of June 30, 2018 and 2017.

Tax years that remain subject to examination include 2015 through the current period for the federal returns.

#### Functional Expenses

Expenses are charged to each program based on direct expenditures incurred. Indirect expenditures are allocated to program and supporting services based on various direct costs related to each program. Development costs reported in the statements of activities reflect costs associated with raising funds for both program operations and the Organization's regranting programs.

#### Revenue Recognition

Revenue from exchange transactions is recorded at the time the service is provided. Amounts received in advance are deferred until such time as they are earned.

# First Nations Oweesta Corporation

## Notes to Financial Statements

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### **Note 1 - Organization and Summary of Significant Accounting Policies, Continued**

#### Contributions

Contributions, including grants receivable, are recognized as revenue when they are received or unconditionally pledged. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor imposed restrictions. Conditional contributions are recognized as income when the conditions are met. Donated marketable securities are recorded at market value on the date received.

#### In-kind Contributions

Contributed goods and services are recorded as in-kind contributions and corresponding expenses at their estimated fair values at the date of donation. There were no in-kind contributions recognized for the years ended June 30, 2018 and 2017. A number of volunteers have donated time in connection with the Organization's activities. No amounts have been reflected in the accompanying financial statements for volunteers' donated services because they do not meet the criteria of recognition.

#### Subsequent Events

The Organization has evaluated all subsequent events through December 18, 2018, which is the date the financial statements were available to be issued.

#### Reclassifications

Certain 2017 financial statement amounts have been reclassified to conform to 2018 presentation. The reclassification had no effect on net income.

### **Note 2 - Grants Receivable**

As of June 30, 2018 and 2017, grants receivable from grantors other than the federal government totaled \$0 and \$26,990, respectively.

Conditional grants receivable, which have not been recognized in the accompanying financial statements because the conditions have not been met, totaled \$2,262,500 and \$125,000 at June 30, 2018 and 2017, respectively.

# First Nations Oweesta Corporation

## Notes to Financial Statements

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### Note 3 - Notes Receivable

Notes receivable consist of loans made to qualified Native Community Development Financial Institutions (CDFIs) and other Native controlled entities. There are four types of loans issued by the Organization. First In loans are available to Native CDFIs in amounts up to \$100,000 for up to three years, while Capital loans are available to Native CDFIs in amounts over \$100,000, and up to \$500,000, for up to five years. The proceeds of both First In and Capital loans must be used to make loans in the borrower's target market, as defined in their loan policies and other organizational documents. Native Fresh Food Fund (NF3) loans are available to Native CDFIs for amounts \$50,000 and over, and up to \$250,000, for up to ten years. Loan proceeds must be used to finance healthy food projects. Finally, the Native CDFI Capital Pool was created during the year ended June 30, 2018. This pool is intended to leverage larger amounts of lending capital for Native CDFIs. The pool relies on a membership-based model in which Native CDFI members must invest 5% of their overall loan request in the pool as a cash reserve. Members then receive up to \$1,000,000 in capital, and then have a choice between a low-interest loan or a higher-interest loan with a 10% grant combination. These loans carry a targeted 10-year term with an interest-only period (two years), then amortized over the remaining term of the loan. There were no notes receivable outstanding under the capital pool at June 30, 2018. All notes accrue interest at rates from 3% to 4%.

Loans are recorded at the principal balance outstanding. Interest income is recognized on the accrual basis. A loan is considered to be impaired if, based on current information, it is probable the Organization will not receive all amounts due in accordance with the contractual terms of a loan agreement. When the ultimate collectibility of the principal balance of an impaired loan is in doubt, all cash receipts are applied to principal. Once the recorded principal balance has been reduced to zero, future cash receipts are applied to interest income, to the extent any interest has been foregone, and then they are recorded as recoveries of any amounts previously charged off.

The accrual of interest is generally discontinued on loans that become 90 days past due as to principal or interest. When borrowers demonstrate over an extended period the ability to repay a loan in accordance with the contractual terms of a loan classified as nonaccrual, the loan is returned to accrual status, and interest revenue is recognized. There were no loans over 90 days past due at June 30, 2018 and 2017.

Notes receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for loan losses and an adjustment to an allowance for loan losses based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are charged off.

The Organization has accounted for the doubtful collection of notes receivable by providing an allowance for loan losses of \$261,150 and \$237,650 at June 30, 2018 and 2017, respectively.

# First Nations Oweesta Corporation

## Notes to Financial Statements

### Note 3 - Notes Receivable, Continued

Annual maturities of notes receivable at June 30, 2018 are as follows for the years ending June 30:

2019	\$ 1,213,000
2020	210,000
2021	1,000,000
2022	1,865,000
2023	<u>935,000</u>
Total notes receivable	5,223,000
Less allowance for loan losses	<u>(261,150)</u>
Net notes receivable	\$ <u>4,961,850</u>

The following is an aging of the Organization's notes receivable at June 30, 2018:

	Current	Over 30 days	Over 60 days	Over 90 days	Total
Loan type:				days	
Capital loans	\$ 4,210,000	300,000	-	-	4,510,000
NF3	210,000	-	-	-	210,000
First In loans	<u>503,000</u>	-	-	-	<u>503,000</u>
Total	<u>\$ 4,923,000</u>	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>5,223,000</u>

The following is an aging of the Organization's notes receivable at June 30, 2017:

	Current	Over 30 days	Over 60 days	Over 90 days	Total
Loan type:				days	
Capital loans	\$ 3,850,000	-	-	-	3,850,000
NF3	210,000	-	-	-	210,000
First In loans	<u>693,000</u>	-	-	-	<u>693,000</u>
Total	<u>\$ 4,753,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,753,000</u>

Loans for which no payments are due are considered current.

# First Nations Oweesta Corporation

## Notes to Financial Statements

### Note 3 - Notes Receivable, Continued

A summary of the activity in the allowance for loan losses for the years ended June 30 is as follows:

	Capital loans	NF3 Loans	First In loans	Total
Beginning balance, June 30, 2016	\$ 152,250	-	40,150	192,400
(Reversal of) provision for loan losses	<u>40,250</u>	<u>10,500</u>	<u>(5,500)</u>	<u>45,250</u>
Ending balance, June 30, 2017	192,500	10,500	34,650	237,650
(Reversal of) provision for loan losses	<u>33,000</u>	<u>-</u>	<u>(9,500)</u>	<u>23,500</u>
Ending balance, June 30, 2018	\$ <u>225,500</u>	<u>10,500</u>	<u>25,150</u>	<u>261,150</u>

### Credit Quality

At least quarterly, the loan loss reserve is adjusted to reflect the loan rating updates for the borrowers' delinquency status. Credit quality of loans is adjusted based on the following assessments:

<u>Payment Status</u>	<u>Loan Downgrade</u>	<u>Loan Rating Recovery</u>
30 days delinquent	Reduce loan rating by one category	60 days of on-time payments
60 days delinquent	Reduce loan rating by two categories	90 days of on-time payments
90 days delinquent	Reduce loan rating by three categories	120 days of on-time payments

The following is the credit quality classification of the notes receivable by loan type at June 30, 2018:

	Capital loans	NF3 loans	First In loans	Total
Non-delinquent	\$ 4,210,000	210,000	503,000	4,923,000
30 days delinquent	300,000	-	-	300,000
60 days delinquent	-	-	-	-
90 days delinquent	-	-	-	-
Total	\$ <u>4,510,000</u>	<u>210,000</u>	<u>503,000</u>	<u>5,223,000</u>

The following is the credit quality classification of the notes receivable by loan type at June 30, 2017:

	Capital loans	NF3 loans	First In loans	Total
Non-delinquent	\$ 3,850,000	210,000	693,000	4,753,000
30 days delinquent	-	-	-	-
60 days delinquent	-	-	-	-
90 days delinquent	-	-	-	-
Total	\$ <u>3,850,000</u>	<u>210,000</u>	<u>693,000</u>	<u>4,753,000</u>

# First Nations Oweesta Corporation

## Notes to Financial Statements

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### Note 4 - Investments

Investments, stated at fair value, consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Certificates of deposit	\$ 1,548,032	643,805
Corporate bonds	<u>82,029</u>	<u>119,341</u>
Total	<u>\$ 1,630,061</u>	<u>763,146</u>

Investments are presented in the statements of financial position as follows at June 30:

	<u>2018</u>	<u>2017</u>
Short-term investments	\$ 164,390	225,028
Investments	<u>1,465,671</u>	<u>538,118</u>
Total	<u>\$ 1,630,061</u>	<u>763,146</u>

Short-term investments consist of certificates of deposit with maturities of less than one year.

### Note 5 - Fair Value Measurements

The Organization values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following fair value hierarchy prioritizes observable inputs used to measure fair value into three broad levels, which are described below:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets and liabilities. The fair value hierarchy gives highest priority to Level 1 inputs.
- Level 2: Quoted prices that are based on inputs not quoted on active markets, but corroborated by market data.
- Level 3: Unobservable inputs where little or no market data is available, which requires the reporting entity to develop its own assumptions.

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value. These classifications (Levels 1, 2, and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.



# First Nations Oweesta Corporation

## Notes to Financial Statements

### Note 5 - Fair Value Measurements, Continued

Following is a description of the valuation methodologies used for assets measured at fair value:

Money market funds, fixed income securities, certificates of deposit: Valued based on prices currently available on comparable securities of the issuer or other issuers with similar credit ratings.

Mutual funds: Valued at the closing price reported on the active market on which the securities are traded.

There have been no changes in the valuation methodologies during the current year.

Financial assets and liabilities carried at fair value at June 30, 2018 are classified in the following table in one of the three categories described above:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ 1,548,032	-	-	1,548,032
Corporate bonds	<u>82,029</u>	<u>-</u>	<u>-</u>	<u>82,029</u>
Total	\$ <u>1,630,061</u>	<u>-</u>	<u>-</u>	<u>1,630,061</u>

Financial assets and liabilities carried at fair value at June 30, 2017 are classified in the following table in one of the three categories described above:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ 643,805	-	-	643,805
Corporate bonds	<u>119,341</u>	<u>-</u>	<u>-</u>	<u>119,341</u>
Total	\$ <u>763,146</u>	<u>-</u>	<u>-</u>	<u>763,146</u>

### Note 6 - Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Furniture, equipment, and software	\$ 97,625	97,625
Less accumulated depreciation and amortization	<u>(81,874)</u>	<u>(76,474)</u>
Total	\$ <u>15,751</u>	<u>21,151</u>

# First Nations Oweesta Corporation

## Notes to Financial Statements

### Note 7 - Short-Term and Long-Term Debt

The Organization maintains short and long-term debt for capital for its loan portfolio. Long-term debt consists of the following at June 30:

Lender	Maturity	Rate	2018	2017
Bush Foundation	1/31/2028	1.00%	1,000,000	-
Bank of America	3/31/2018	2.75%	-	500,000
Tamalpais Trust	1/15/2021	1.00%	500,000	500,000
Mercy Investment Services, Inc.	5/1/2020	3.00%	500,000	500,000
Northwest Area Foundation	11/30/2027	1.00%	500,000	-
Swift Foundation	5/1/2021	1.00%	500,000	-
CDFI Fund 141NA012511 (a)	1/6/2028	1.95%	380,000	380,000
CDFI Fund 131FA011410	6/23/2018	1.86%	-	170,000
Client of Trillium Asset Management (d)	3/31/2023	2.00%	50,000	150,000
Adrian Dominican Sisters	12/15/2018	2.00%	100,000	100,000
Client of Trillium Asset Management	3/31/2020	2.00%	100,000	100,000
Client of Trillium Asset Management (c)	4/29/2021	2.00%	100,000	100,000
Client of Trillium Asset Management	4/1/2020	2.00%	100,000	100,000
Basilian Fathers of Toronto	4/1/2022	3.00%	100,000	100,000
Sisters of Charity of Incarnate Word	12/18/2018	1.00%	100,000	100,000
Client of Trillium Asset Management	10/1/2019	2.00%	100,000	100,000
Gregory Kremer	7/15/2018	1.00%	100,000	100,000
Edith Phippen	2/1/2022	1.00%	100,000	100,000
Client of Natural Investments	11/1/2020	0.00%	100,000	-
Client of Natural Investments	7/1/2019	1.00%	80,000	-
Client of Trillium Asset Management	9/30/2019	2.00%	60,000	60,000
Client of Trillium Asset Management	3/31/2021	2.00%	50,000	50,000
Client of Trillium Asset Management	3/31/2020	2.00%	50,000	50,000
Client of Trillium Asset Management	3/31/2023	2.00%	50,000	50,000
Client of Trillium Asset Management	3/31/2023	2.00%	50,000	50,000
Client of Trillium Asset Management	3/31/2023	2.00%	50,000	50,000
Client of Natural Investments	7/1/2022	1.00%	50,000	-
Client of Natural Investments	12/15/2022	2.00%	50,000	-
Susan D. Goldman Trust (e)	11/1/2020	2.00%	41,480	41,480
Client of Trillium Asset Management	3/30/2021	2.00%	25,000	25,000
Srs. of St. Francis of Philadelphia (b)	6/1/2019	2.50%	10,000	20,000
Client of Trillium Asset Management	8/1/2020	2.00%	25,000	25,000
Client of Trillium Asset Management	4/1/2020	2.00%	25,000	25,000
Thomas J. Abood	2/11/2020	2.25%	25,000	25,000
Client of Trillium Asset Management	10/1/2018	2.00%	25,000	25,000
Sisters of the Blessed Sacrament (f)	4/5/2021	3.00%	25,000	25,000

# First Nations Oweesta Corporation

## Notes to Financial Statements

### Note 7 - Short-Term and Long-Term Debt, Continued

Lender	Maturity	Rate	2018	2017
Client of Trillium Asset Management (g)	3/31/2023	2.00%	25,000	20,000
Client of Natural Investments	10/1/2019	1.00%	22,000	-
Client of Hall Capital Partners	1/15/2020	2.00%	20,000	-
Client of Natural Investments	6/15/2023	1.00%	20,000	-
Client of Natural Investments	12/15/2019	1.00%	15,000	-
James A Babson Revocable Trust - 2003	6/20/2019	2.00%	10,000	10,000
Larry Dansinger & Karen Marysdaughter	5/1/2019	0.00%	5,000	5,000
Peter & Sharon Moller	1/23/2019	0.00%	5,000	5,000
<b>Total</b>			<b>5,243,480</b>	<b>3,661,480</b>
Less current maturities			(350,000)	(1,166,480)
Long term debt less current maturities			4,893,480	2,495,000

Interest only payments are paid annually, quarterly, or monthly. Principal payments are due at maturity, unless otherwise noted below.

- (a) Principal payments are required, beginning December 2025.
- (b) Principal payments of \$10,000 are due on 6/1/18 and 6/1/19.
- (c) Original note was paid off on 10/1/17, and the lender disbursed a new note, totaling \$100,000, due on 4/29/21.
- (d) Original note was paid off on 3/31/18, and the lender disbursed a new note, totaling \$50,000, due on 3/31/23.
- (e) Original note was paid off on 11/1/17, and the lender disbursed a new note, totaling \$41,480, due on 11/1/20.
- (f) Original note was paid off on 4/5/18, and the lender disbursed a new note, totaling \$25,000, due on 4/5/21.
- (g) Original note was paid off on 3/31/18, and the lender disbursed a new note, totaling \$25,000, due on 3/31/23.

First Nations Oweesta is required to meet certain covenants as specified in particular debt agreements. At June 30, 2018, these covenants were met. None of the notes are collateralized. At June 30, 2018, aggregate maturities of principal under long-term debt obligations are as follows for the years ending June 30:

2019	\$ 350,000
2020	1,102,000
2021	1,366,480
2022	200,000
2023	345,000
Thereafter	<u>1,880,000</u>
	<u>\$ 5,243,480</u>

# First Nations Oweesta Corporation

## Notes to Financial Statements

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### Note 8 - Net Assets

Temporarily restricted net assets consist of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Future operations	\$ 771,333	\$ 475,700
Loan loss reserve	150,000	150,000
Healthy Food Financing Initiative	-	241,535
Institutional development	<u>146,218</u>	<u>43,067</u>
	<u>\$ 1,067,551</u>	<u>\$ 910,302</u>

Net assets totaling \$1,027,417 in 2018 and \$497,080 in 2017 were released from restrictions as a result of satisfying purpose and time restrictions.

### Note 9 - Retirement Plan

The Organization has a Simple IRA pension plan (the "Plan"). Under the Plan, the Organization matches up to 3% of employee salary contributions. Contributions to the Plan totaled \$17,684 and \$18,550 during the years ended June 30, 2018 and 2017, respectively.

### Note 10 - Commitments and Contingencies

#### Operating Leases

The Organization rents office space from a related party (see note 11) under a month-to-month lease agreement in an office building purchased by First Nations in Longmont. Rent is charged at \$2,750 per month, including utilities and cleaning. Rent expense for the years ended June 30, 2018 and 2017 was \$33,000.

#### Government Grants

The Organization earns revenue under grants received from various governmental agencies. Funds received under these grants generally require compliance with the terms and conditions specified in the grant contracts and are subject to audit by the governmental agencies. Management believes the amount of grant charges that may be disallowed, if any, by such audits would not have a significant impact on the consolidated financial statements, and accordingly, no provision has been made in the financial statements for any liability that may result. Government grants receivable total \$838,306 and \$502,577 at June 30, 2018 and June 30, 2017, respectively.

# First Nations Oweesta Corporation

## Notes to Financial Statements

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### **Note 11 - Related Party Transactions**

The Organization makes loans and grants to tribal groups as part of its programmatic mission. It also has a policy of investing in Native American businesses. As a result, the Organization may have lender and business relationships with groups headed by members of its board of directors. All loans and grants are made in accordance with long-standing procedures in which board members do not participate. All business dealings are conducted at market rates on terms consistent with those available to similar organizations or from similar businesses.

The Organization has a service agreement with First Nations, whereby the Organization paid annual fees of \$30,000 and \$35,000 in 2018 and 2017, respectively, to cover program and administrative costs incurred on the Organization's behalf. First Nations also sold program materials to the Organization valued at \$6,940 in 2018 and \$1,485 in 2017. The Organization also has a contractual agreement for services with First Nations in providing their grantees technical assistance and training services. The Organization earned \$70,160 and \$23,712 in revenue from First Nations under this agreement in 2018 and 2017, respectively. In addition, First Nations pays certain direct costs incurred by the Organization on its behalf. Amounts due to First Nations were \$7,856 and \$3,030 at June 30, 2018 and 2017, respectively.

### **Note 12 – Regrants**

Regranting funds are not used for the program operations of the Organization, but are instead regranted to other Native non-profits, tribal projects, and individual participants in their projects. Regrants and related stipends for the years ended June 30, 2018 and 2017 totaled \$149,686 and \$100,000, respectively.

**First Nations Oweesta Corporation**  
**Schedule of Functional Expenses**  
**For the Year Ended June 30, 2018**

	Program Services			Supporting Services			Total
	Institutional Development	Lending and Other	Total program services	Administration	Development	Total supporting services	
Salaries, payroll taxes and benefits	\$ 585,332	86,995	672,327	151,981	7,105	159,086	831,413
Grants and stipends	149,686	-	149,686	-	-	-	149,686
Professional and consulting fees	226,714	50	226,764	27,900	750	28,650	255,414
Operating fees	21,110	3,150	24,260	5,484	256	5,740	30,000
Travel	150,718	2,054	152,772	9,056	6,963	16,019	168,791
Printing and publications	40,263	109	40,372	-	-	-	40,372
Conferences and meetings	68,082	-	68,082	235	5,024	5,259	73,341
Interest expense	-	77,332	77,332	984	-	984	78,316
Rent and occupancy	23,413	3,850	27,263	6,163	288	6,451	33,714
Postage and delivery	4,569	130	4,699	623	496	1,119	5,818
Supplies and small equipment	14,392	433	14,825	6,148	31	6,179	21,004
Telephone	8,629	1,209	9,838	1,113	-	1,113	10,951
Other expenses	3,744	220	3,964	17,872	2	17,874	21,838
Equipment and software maintenance	48,415	3,339	51,754	5,539	-	5,539	57,293
Expense for loan loss reserve	-	23,500	23,500	-	-	-	23,500
Insurance	-	-	-	2,594	-	2,594	2,594
<b>Subtotals</b>	<b>1,345,067</b>	<b>202,371</b>	<b>1,547,438</b>	<b>235,692</b>	<b>20,915</b>	<b>256,607</b>	<b>1,804,045</b>
Depreciation and amortization	4,367	-	4,367	987	46	1,033	5,400
<b>Total functional expenses</b>	<b>\$ 1,349,434</b>	<b>202,371</b>	<b>1,551,805</b>	<b>236,679</b>	<b>20,961</b>	<b>257,640</b>	<b>1,809,445</b>

See accompanying independent auditor's report.

**First Nations Oweesta Corporation**  
**Schedule of Functional Expenses**  
**For the Year Ended June 30, 2017**

	Program Services			Supporting Services			Total
	Institutional Development	Lending and Other	Total program services	Administration	Development	Total supporting services	
Salaries, payroll taxes and benefits	\$ 622,987	56,828	679,815	148,967	11,681	160,648	840,463
Grants and stipends	100,000	-	100,000	-	-	-	100,000
Professional and consulting fees	153,596	7,257	160,853	37,134	1,075	38,209	199,062
Operating fees	26,565	5,880	32,445	2,555	-	2,555	35,000
Travel	104,093	172	104,265	4,613	372	4,985	109,250
Printing and publications	53,913	292	54,205	147	71	218	54,423
Conferences and meetings	80,428	183	80,611	155	895	1,050	81,661
Interest expense	-	86,168	86,168	-	-	-	86,168
Rent and occupancy	23,430	4,950	28,380	3,795	825	4,620	33,000
Postage and delivery	2,892	137	3,029	179	76	255	3,284
Supplies and small equipment	7,358	620	7,978	692	9	701	8,679
Telephone	11,913	1,753	13,666	2,739	-	2,739	16,405
Other expenses	7,028	1,043	8,071	6,694	-	6,694	14,765
Equipment and software maintenance	45,871	6,590	52,461	3,114	-	3,114	55,575
Expense for loan loss reserve		45,250	45,250				45,250
Insurance	-	-	-	3,017	-	3,017	3,017
Subtotals	1,240,074	217,123	1,457,197	213,801	15,004	228,805	1,686,002
Depreciation and amortization	5,463	14	5,477	6	-	6	5,483
Total functional expenses	\$ 1,245,537	217,137	1,462,674	213,807	15,004	228,811	1,691,485

See accompanying independent auditor's report.